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LABOR AND PUBLIC EMPLOYEES COMMITTEE
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**Testifying in Support of SB 61 An Act Concerning Workers' Compensation
And Liability For Hospital Services**

Good Afternoon. My name is Bonnie Stewart and I am Vice President of Government Affairs at the Connecticut Business and Industry Association (CBIA). CBIA represents more than 10,000 employers throughout Connecticut ranging from one-person businesses to large corporations. However, the majority of our members have fewer than fifty employees.

CBIA supports SB 61, which would require the Workers' Compensation Commission chairperson to establish hospital service reimbursement rates that are fair to both employers and hospitals for the treatment of work-related injuries or illnesses. This measure would prevent the level of hospital fee disputes, which are threatening to divert valuable resources away from claimant disputes, from increasing. It would also help stop the unreasonable surge in workers' compensatio hospital fees.

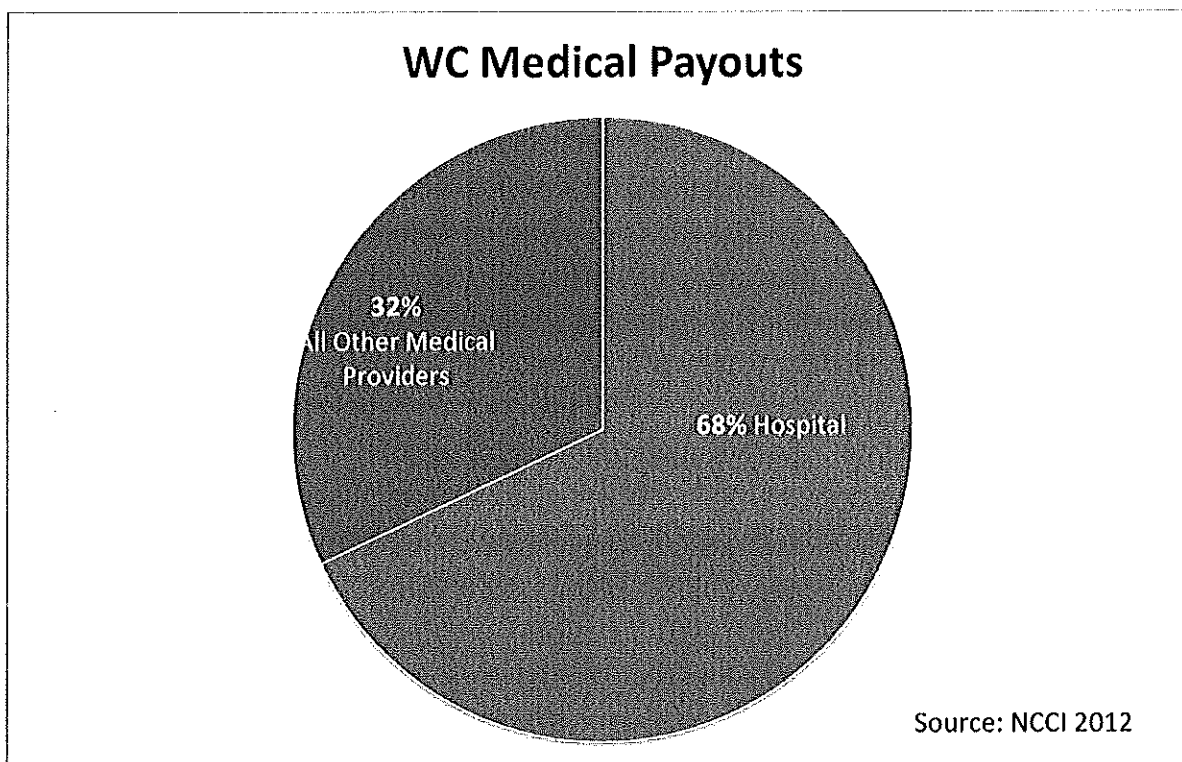
Workers' compensation is a core issue for Connecticut employers. Employers have no options to waive their workers' compensation insurance responsibility in our state. This may appear to be a very harsh business environment, but underlying Connecticut's workers' compensation standards is the recognition that our workers are an employer's most valued resource.

CBIA is very concerned with the escalating costs of medical expenses associated with workers' comp claims in our state. Connecticut's economic recovery is enjoying some traction and we want to make certain that the costs of workers' compensation claims do not become a deterrent to doing business in Connecticut.

For the past twenty years most workers' compensation matters have been dealt with on a bipartisan basis that has resulted in Connecticut having a system that is

viewed as a model for other states. Recently Connecticut has seen workers' compensation costs begin an undesired upward climb as medical costs rise to become a greater portion of total workers' compensation payouts.

At the recent briefing by the National Council of Compensation Insurance (NCCI) we were told that effective for policies renewing on or after January 1, 2014, Connecticut employers' costs would increase nearly six percent. A significant portion of that increase is due to rising medical costs. Connecticut has always had a much higher portion of our worker comp payouts, nearly 75 percent, go to wage replacement and other indemnity benefits. However, now more than 50 percent of our workers' comp payouts are for medical costs. Of the CT employer's fifty percent for medical costs, 32% are payments to hospitals.



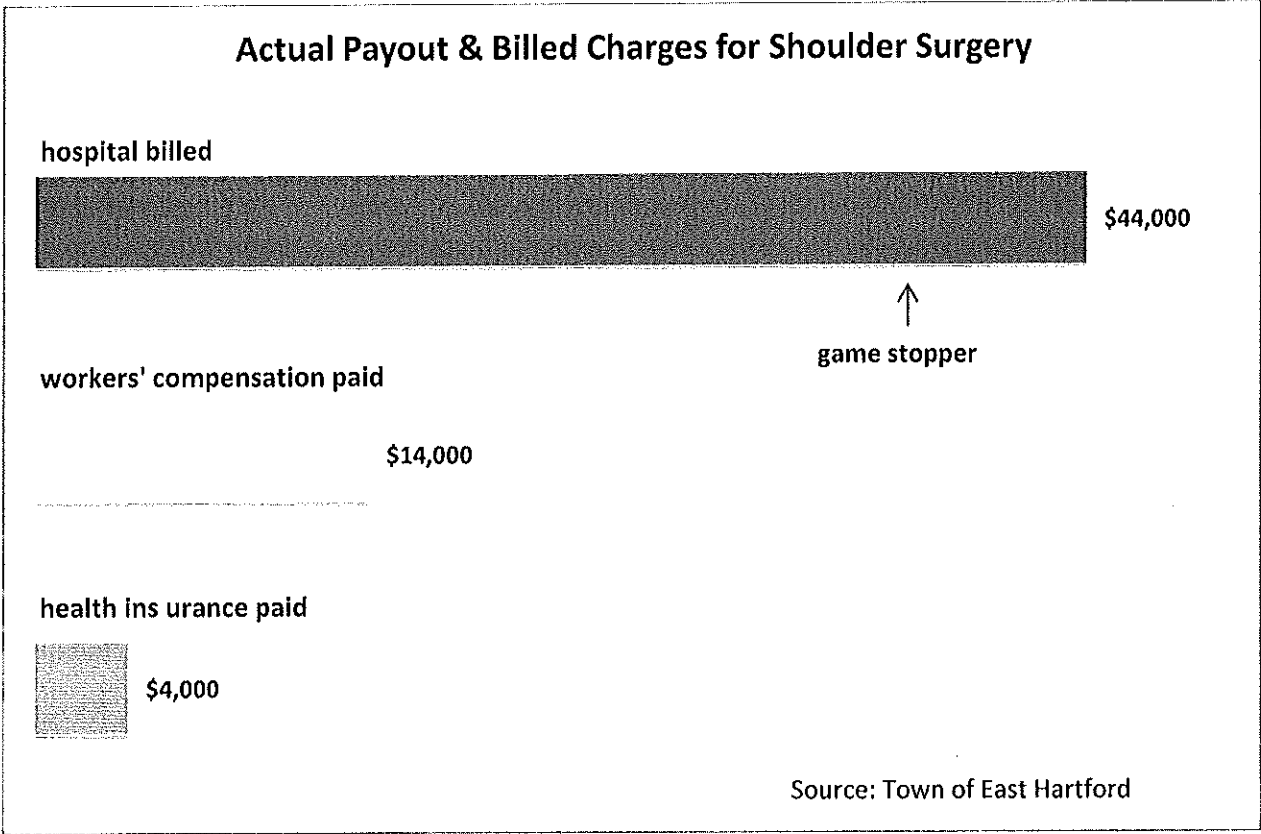
Workers' compensation hospital payments are *significantly* higher than Medicaid, Medicare, and general health insurance. Hospitals generally benefit by treating workers' compensation health matters because it allows them to recover monies lost by treating Medicaid and Medicare patients. They have also been able to receive much higher reimbursement rates for workers' compensation patients than health insurance patients. This is because workers' compensation medical services are only about two percent of the health care market. Therefore workers' compensation payers do not have the leverage or negotiating power that health insurers have. This was the primary reason that the legislature chose to keep "actual costs" in the CT statute even after several other

changes were made in the non workers' compensation hospital world. Keeping the term "actual costs" was deemed a necessary tool for negotiating hospital fees, for without it, employers had no leverage.

While the term "actual cost" was intentionally left in the statute to help provide a tool for the payer community as a starting point for negotiations, we understand that its lack of definition leaves Connecticut Workers' Compensation Commissioners without the guidance they may need when resolving billing disputes.

In 2012, the negotiating leverage Connecticut employers had with hospitals for workers' comp reimbursement was severely weakened by the ruling in the *Thompson, et al, v. J&J Properties, (et al, Liberty Mutual Insurance et al, and Lawrence & Memorial Hospital and William W. Backus Hospital* State of Connecticut Workers' Compensation Commission, Second District, Norwich, Connecticut, File Nos. 200151995, 200158976, 200115873, 400008394, September, 2012).

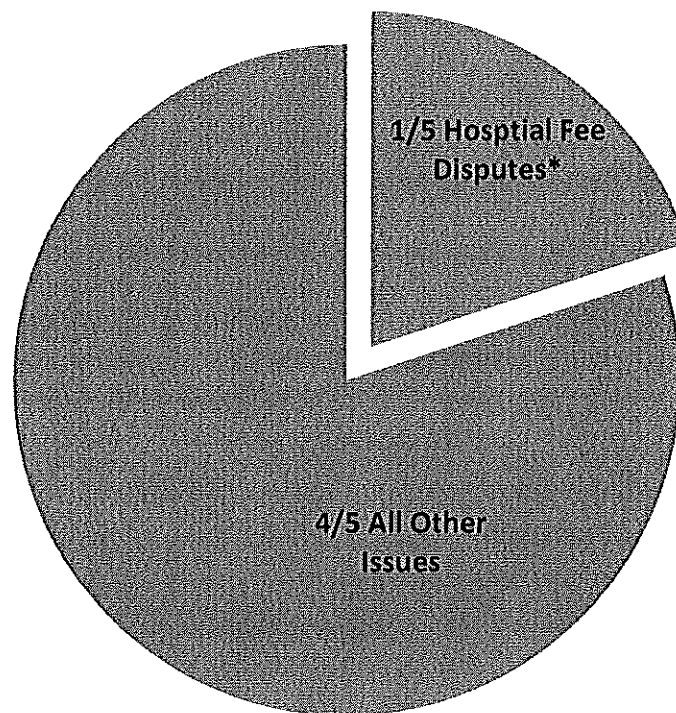
That decision, ruled that a workers' compensation payer/employer must pay a hospital's billed charges unless the employer has negotiated discounted rates with the hospital. As a result of that decision, Connecticut employers, or their insurers, have to pay whatever the hospital bills for services if there is no negotiated agreement. Some hospitals are fine with not negotiating because it guarantees them more money from the already lucrative workers' compensation business than they would get if they didn't negotiate.



Since that decision, Connecticut employers are attending an ever-increasing number of hearings at the state Workers' Comp Commission to determine appropriate workers' comp costs on a per-claim basis. 2,500 hospital fee disputes are currently before the Workers' Compensation Commission. Thousands more are rumored to be waiting to be filed. This is a huge and unnecessary burden on the Workers' Compensation System.

A viable and reasonable remedy for both employers and hospitals is **SB 61**. This bill offers an opportunity to set a pre-determined hospital service fee schedule that both our business and medical communities could live with. The idea of a pre-determined hospital service fee schedule is not new. Forty-one states have such a fee schedule. So Connecticut is one of nine states in the nation not to have an established hospital service fee schedule for workers' comp claim medical costs.

Workers' Compensation Commission Estimated Reassignment



*Source: CT Workers' Compensation Commission estimate based on 3 of the current 15 commissioners

If **SB 61** is adopted, the surge in workers' compensation hospital fees and the estimated diversion of one-fifth of the workers' compensation commissioners away from claimants' disputes would be prevented. This is extremely important because increased medical fees mean increased workers' compensation costs. One-fifth of the commissioners being devoted to hospital fee disputes means an increase in the time it takes for a claimant to have their first hearing. The Workers' Compensation Commission estimates that the wait time will increase from 21 days to 2 months.

SB 61 would allow for an equitable hospital service fee schedule when it comes to workers' compensation claims while still permitting negotiated fees. Workers' compensation hospital and surgical center fees are the only medical services in Connecticut that do not have a set fee schedule. Hospitals and employers alike will be best served by this fiscally responsible hospital service fee schedule approach. Connecticut hospitals, employers and employees will benefit from a well-balanced and equitable pre-determined fee schedule. Hospitals will recover costs quicker while the injured employee can focus on recovery and returning to work.

I share all of this data with you so you will understand that Connecticut's workers' compensation system is on the verge of a crisis. Higher medical costs and longer delays for hearings will only punish employers and employees while making Connecticut less economically competitive. Adoption of **SB 61** will help prevent both of these things from happening. Please support **SB 61** and ensure its passage this legislative session.

CBIA appreciates your consideration of this important matter. We would like to work with the Labor Committee and other interested parties to address this matter of great concern.